

**Statement by  
Mike Johanns  
Secretary of Agriculture  
Before the Subcommittee on Agriculture, Rural Development,  
Food and Drug Administration, and Related Agencies  
Committee on Appropriations, U.S. House of Representatives  
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Mr. Chairman and distinguished members of this Committee, it is indeed a great honor for me to appear before you as Secretary of Agriculture to discuss the fiscal year 2006 budget for the Department of Agriculture (USDA).

I am joined today by Steve Dewhurst, our Budget Officer and Keith Collins, our Chief Economist.

This is my first appearance before this Committee. Let me say that I am grateful to the President for nominating me for this position. I look forward to serving as Secretary of Agriculture and working together with this Committee to carry out our work to serve the interests of agriculture, rural communities and consumers of food worldwide. I am no stranger to agriculture or to public service. I grew up on a dairy farm in Mitchell County, Iowa, and I have always had a deep passion for agriculture. As Governor of Nebraska, I have been actively involved in agricultural issues affecting my State. Agriculture is a key economic driver in Nebraska since it is the Nation's largest beef processing State and the fourth largest exporter of agricultural products. As Governor, I led trade missions all across the world to market our food products. I also worked aggressively on drought issues and drought policy as well as pursuing value added opportunities, such as ethanol production.

While I am new to the Federal budget process, I know first hand the challenges related to presenting and enacting budgets at the State level. As a Governor, I had the experience of having to make some difficult decisions related to the budget since State law required the budget to be balanced. I know the President and the Congress are facing similar challenges. I am here to say that I support the President's budget for the Department. It meets our most important priorities, while exercising the kind of fiscal discipline that is absolutely necessary to reduce the Federal deficit. Reducing the deficit is a critical part of the President's economic plan. The long-term stability of the economy depends on whether we have the will to act now. Farmers and ranchers know the importance of a healthy economy, which raises incomes and increases demand for their products. At the same time as we reduce the deficit, we must work hard to leverage other tools, such as our aggressive trade agenda, to maintain the strong farm economy.

It is now my responsibility to pick up where Secretary Veneman left off and work with the Congress on the 2006 budget. I want to assure the Committee that the Department will be fully engaged to provide whatever assistance Congress may need as it carries out its responsibility related to the 2006 budget.

Because of the overriding need to reduce the Federal deficit, USDA, like every Federal agency, will share the governmentwide burden of controlling Federal spending. There are proposals in the budget for USDA that will produce real savings in both

mandatory and discretionary spending. With that said, the President's 2006 budget request for USDA does meet our priorities by promoting economic opportunity and ownership for farmers and rural residents, protecting America's agriculture and food supply, and providing important assistance to the needy at home and abroad. It also makes government more effective by improving management and accountability and by eliminating, reforming, or phasing out programs that are not cost-effective or do not show measurable results.

The President's Budget, which was released on February 7, indicates that USDA outlays are estimated to increase from about \$72 billion in 2004 to nearly \$95 billion in 2005 and then to remain roughly at that level in 2006. The increase in 2005 was due to higher mandatory outlays in the farm programs as well as in the nutrition assistance programs. For the Department's discretionary budget, the overall budget authority request is \$19.4 billion. This compares to the \$22 billion provided in 2005, which included one billion dollars in one-time disaster funding for wildfire management and hurricane assistance not continued in the 2006 budget. The appropriation request pending before this Committee, which does not include the Forest Service, is \$15.3 billion.

I would now like to focus on some specific program highlights.

Bovine Spongiform Encephalopathy (BSE)

I have stated that my immediate top priority as Secretary is to get American beef exports moving again to Japan. We also need to do all we can do to prevent further outbreaks of BSE. We want to ensure that our agricultural imports and exports are safe for consumers at home and abroad.

For 2006, the budget proposes funding for BSE testing and implementation of the National Animal Identification System (NAIS). The Department has been engaged in a one-time, enhanced testing program during 2004 and 2005. As of early February, we have tested more than 220,000 animals so far, all of which have been negative. Once we have evaluated the results of the enhanced testing program, a decision on the number of animals needed to be tested in the future will be made. The Department is also in the process of implementing the NAIS. As of February 9, 27 States have the ability to register livestock production operations in the System. The goal is to have all States operational for premises registration by the middle of 2005. In addition, the budget provides an increase of \$7.5 million for increasing our scientific understanding of the disease and developing the technology needed by regulatory agencies to establish science-based policies and control programs.

BSE is the disease that is now getting much of the attention. Of course, there are other diseases and pests that can affect livestock and crops that we need to guard against. We need to be constantly vigilant to prevent the deliberate or unintentional introduction or spread of plant and animal diseases and pests that can cause severe economic or environmental damage. Our budget request for 2006 continues the

Department's efforts to find and control the spread of deleterious animal and plant pests and diseases.

#### Food and Agriculture Defense Initiative

In order to protect American agriculture and the food supply from intentional terrorist threats and unintentional introductions, the budget proposes a governmentwide effort of nearly \$600 million for the President's Food and Agriculture Defense Initiative. For USDA's part, the budget proposes \$317 million for ongoing program activities and \$59 million to complete construction of the National Center for Animal Health in Ames, Iowa. Program funding for these ongoing programs includes a \$140 million increase, 79 percent above 2005, to strengthen the networks for responding to food emergencies and plant and animal diseases, conduct additional research and enhance monitoring and surveillance efforts to quickly detect pest and disease threats.

#### Food Safety

The Nation's current food safety inspection system has demonstrated that our food supply is the safest in the world and continues to show improvements based on historical reductions in the incidence of foodborne illness. The 2006 budget provides for continued protection of the Nation's supply of meat, poultry and egg products. The budget includes a program level of \$973 million for the Food Safety and Inspection Service. This is an increase of \$36 million over 2005. The additional funds are

requested to maintain Federal support of State inspection programs, and to provide for a more effective front-line inspection workforce to improve our ability to detect and respond to intentional and unintentional contamination in the food supply. The budget requests an appropriation of \$850 million and \$123 million in existing fees. Of the \$850 million requested to be appropriated, the budget assumes \$139 million will be derived from new user fees.

#### Farm Program Spending

The U.S. farm economy has never been stronger. Record harvests and a strong livestock sector have contributed to the growing strength of the farm sector. Since 2003, producers have experienced record crops, record cash receipts, and record net farm income. The large crops that boosted farm income in 2003 and 2004 are now impacting domestic markets with heavy supplies that are weakening prices and driving up farm program costs. For 2005 and 2006, Commodity Credit Corporation (CCC) outlays are now estimated to total \$24 billion and \$19 billion, respectively, compared to only about \$11 billion in 2004.

The prospect of higher budget outlays for the commodity programs may complicate the job of reducing the Federal deficit. In this regard, the President's budget proposes that the farm programs contribute to the governmentwide deficit reduction effort. There are several proposals cited in the budget to accomplish that objective. These proposals are designed to work within the existing structure of the 2002 Farm Bill

and achieve savings of between three and five percent from baseline spending over 10 years. The proposals which are equitably spread across the agriculture production sector include: reducing farm program payments across the board by 5 percent, basing marketing loan benefits on historical production, tightening payment limits, lowering dairy program costs and reinstituting a small sugar marketing assessment.

Last October, President Bush committed to working with Congress to extend the Milk Income Loss Contract (MILC) program for 2 years. The budget includes additional funding to meet this commitment and continue this program that provides a safety net for small dairy producers.

Together, these proposals would save about \$587 million in 2006 and \$5.7 billion over 10 years. The majority of savings from these proposals is obtained through the across the board reduction in program payments. We are willing to work with the Congress in order to achieve the savings estimated in the President's budget.

### Trade

Expanding markets for agricultural products is critical to the long-term health and prosperity of our agricultural sector. The budget provides \$6 billion for the Department's international activities to ensure that we can continue our important work of expanding access to overseas markets and developing long-term trading relations with those markets. Of particular importance, funding for the Foreign Agricultural Service is

increased so the agency is able to maintain its overseas presence and continue to represent and advocate for U.S. agricultural interests on a global basis.

### Crop Insurance

The budget proposes that starting in 2007 the crop insurance program also make a contribution to deficit reduction. Net outlays for crop insurance will have grown nearly 50 percent between 2001 and 2006 with the implementation of crop insurance reforms in 2000. In addition, since 2002 we have seen four *ad hoc* disaster programs covering six crop years for a total cost of \$10 billion. In this regard, the budget includes proposals to enhance crop insurance coverage and reduce program delivery costs so that crop insurance will provide coverage that is sufficient to sustain most farmers in times of loss. Proposals include a higher minimum coverage level, tying the receipt of direct payments for program crops to the purchase of crop insurance and changes in fees, premiums rates and delivery expenses. These proposals together would save an estimated \$140 million annually, beginning in 2007, contributing about \$1.3 billion to deficit reduction over the next 10 years.

### Conservation



Based on the 2002 Farm Bill, this Administration has implemented the largest conservation program in history. The Farm Bill provided more than \$17 billion in new conservation funding over 10 years. The budget includes \$3.8 billion in mandatory funding to continue implementation of the conservation programs as authorized in the Farm Bill. Total acreage covered by these programs would increase from 159 million acres to 184 million acres in 2006. The Conservation Security Program would receive an additional \$72 million to extend the program to approximately 200 additional watersheds in 2006. For the Conservation Reserve Program, USDA's largest conservation program, enrollment of 37.2 million acres is projected for 2006 up from the current enrollment level of 34.7 million acres.

The budget also includes \$814 million in discretionary funding for ongoing conservation work which forms the foundation of the Department's conservation partnership with farmers and ranchers. This is a decrease of \$177 million below the 2005 enacted level and reflects the elimination of the P.L. 566 and P.L. 534 watershed programs, conservation operations earmarks, and a reduction of \$25 million in funding for the Resource Conservation and Development Program. Within the total for conservation operations priority will be placed on other high priority conservation activities, such as providing more conservation technical assistance to livestock producers to help them develop nutrient-management plans and to meet regulatory challenges.

## Rural Development

Rural America needs to share in the Nation's prosperity. It must have adequate financing for housing, community infrastructure, and rural businesses. The President's 2006 budget includes \$13.5 billion in loan, grant, and related assistance for this purpose, including \$4.5 billion for providing homeownership opportunities. The 2006 budget also includes a major initiative to deal with the changing environment for the multi-family housing program. It provides \$214 million for protecting the rents of tenants who live in projects that are eligible to prepay their loans and leave the program. The Administration will also be proposing legislation later this year to provide new authorities that would help meet the capital needs for necessary repairs and rehabilitations of projects that remain in the program.

## Research

Research to improve the quality and productivity of America's food production and distribution system was the central reason that USDA was created in 1862. America has led the world in innovation and efficiency through our research, and that work continues, especially if we seek to maintain the lead. The 2006 budget places a high priority on critical research issues facing American agriculture and strengthening the quality of the research by focusing on competitive programs. The Administration strongly believes that research should be funded through peer-reviewed competitive programs. Therefore, over the next two years, research formula funds will be redirected

to a merit-based competitive process. As part of this change, the 2006 budget includes a \$70 million increase for the National Research Initiative, and a new \$75 million competitive research grant program targeted to regional, State, and local needs. In addition, the budget supports research's key role in previously mentioned high priority initiatives, including the President's Food and Agriculture Defense Initiative and responding to BSE.

### Food Assistance

Participation levels in the Department's three major nutrition assistance programs -- Food Stamps, WIC and Child Nutrition -- have been growing in recent years and the budget needs to keep pace with that trend. WIC participation has been growing at more than 3 percent each year, Food Stamp participation is up about 10 percent each year and School Lunch participation has reached a new record level of 29.8 million children per day. The budget contains sufficient resources to fully fund expected participation for these programs and provides for contingency funding in the event additional resources are needed.

For Food Stamps, legislation will be proposed to tie automatic eligibility for Temporary Assistance for Needy Families (TANF) recipients to those who receive actual cash assistance. This change will reduce food stamp costs by \$57 million in 2006 and by about \$1.1 billion over 10 years. The 2006 budget will continue to exclude

special military pay when determining food stamp benefits for deployed members of the armed services.

The WIC request provides full funding for all those estimated to be eligible and seeking services. But, because food costs have risen sharply for the WIC program in recent years, the Department will be looking into ways to contain costs and continue to improve the program's performance.

The Department not only provides food assistance domestically, it also assists some 2.6 millions of women and children in developing countries through preschool and school funding programs carried out through the McGovern-Dole International Food for Education and Child Nutrition Program. The budget increases funding for the McGovern-Dole Program by more than 15 percent over the 2005 enacted level.

### Department Management

As a former Governor, I know effective management is a critical part of what I want to accomplish in the coming years. I am looking forward to working with the new Assistant Secretary for Administration, Mike Harrison, and the Department's other senior managers as we take up the challenge of managing the Department of Agriculture. This Department is a large and complex organization with a program level of over \$100 billion and a staff of over 100,000. If USDA were a private corporation it

would be ranked as one of America's largest corporations. So there are many challenges in the management area and our budget request takes this into account.

It is crucial that the Department be as efficient, effective and discrimination-free as possible and that we deliver the best return on taxpayer's investments. In recent years, the Department has made significant progress in improving management. Some notable accomplishments include:

- The Department's Strategic Plan is used throughout the Department to communicate and drive our programmatic, budget and management priorities. The Plan was used to guide the 2006 budget request.
- The Department has developed a comprehensive set of performance goals, measures, and targets for USDA activities.
- The Department received its first-ever unqualified or "clean" opinion on the FY 2002 financial statements and has received a clean opinion each year since.
- USDA agencies are deploying new technologies that allow customers to conduct business transactions over the Internet, saving both customers and the Department time and money.

The 2006 budget builds upon the progress made so far by providing the funding necessary to ensure there are staff and resources in place to continue improving customer service and providing efficient program delivery. As part of the 2006 budget, the Department would also continue efforts to modernize its field office service centers and to expand the use of Geographic Information Systems (GIS) to facilitate customer service. Funds to continue renovations of our headquarters facilities are also being requested in order to ensure that employees and customers have a safe and modern working environment.

In summary, I want to emphasize that the President is serious about reducing the deficit so that the economy can continue to grow over the longer term. This budget moves us in the right direction while continuing to meet key priorities. No Department or sector is being singled out and USDA will do its part in producing savings that will strengthen the economy and adopt reforms that will improve our programs.

That concludes my statement. I look forward to working with members and staff of the Committee and will be glad to answer questions you may have on our budget proposals.